

OptionsHawk

OPTIONS HAWK DAILY MARKET 3/17/2020

Sector Leaders

Utility

Biotech

Consumer Goods

Stock Gainers

APRN 62%

VRTV 40%

CEIX 33%

SPOK 31%

CODX 29%

RAD 25%

UNFI 24%

Volatility Gainers

- AMC
- APRN
- CZR
- IRBT
- JWN
- COF

High Call Volume

- ADTN
- MFC
- COG
- VRSN
- EXPE
- TRUP

Bullish Options

- EBAY
- GBT
- VLO
- ADSK
- ADBE
- WORK
- ET
- UNP
- GILD
- QSR
-

Market Review: Stocks were modestly higher overnight into the open after a historic sell-off on Monday and fiscal stimulus still being eyed. We continue to see further business shutdowns and the economic fallout remains an unknown and has markets spooked. Retail Sales for February came in much weaker than expected. Markets tested support early but rallied in late morning with strength in growth areas like Tech and Biotech. Housing and Aerospace were weak while Bonds pulled in a bit as well. Breadth continued to improve into midday with potential for major indices to put in outside reversal days. We also saw some details emerge midday on fiscal stimulus potential over the next few weeks that saw markets briefly jump before pulling back again. Data remains light tomorrow and the market solely focused on COVID-19 headlines and stimulus efforts.

S&P Chart:



Resistance	Support
2,600	2,370
2,720	2,250
2,830	2,100

Options Action Trends: Early trade saw more put buying in Retail like **KSS/JWN**. Bullish positioning remains light and sentiment is bearish still in Travel names.

What's On Tap: Housing Starts and Building Permits.

Trade Tracker Portfolio Changes:

- 1) No Changes

Sector Laggards

Housing

Aerospace

Bonds

Stock Losers

LB -30%

NAV -23%

EAT -22%

PFGC -21%

PLCE -21%

ARMK -20.7%

ADS -19%

Volatility Losers

- PLAY
- CASA
- AAL
- NTAP
- GRPN
- ITUB

High Put Volume

- AER
- BKD
- ARNC
- ADTN
- TIF
- CASA

Bearish Options

- TPX
- RDFN
- KSS
- BA
- TSN
- MCHP
- INTC
- VRSN
- EXPE
- FIVE
- AER



Tech Data Option Flows Pick Up with M&A on Table

Ticker/Price: TECD (\$119)

Analysis:

Tech Data (TECD) options very active on 3/16 with April \$105 puts opening against sales of the June \$85 puts while April \$135 and \$125 puts each have 2000X in open interest from recent adjustments out of March puts. TECD also on 3/16 with 3000 June \$125 calls opening at \$10 to \$10.25 in a large block trade. TECD shares have pulled back off record highs to retest a major former resistance level and now potential support as the large volume node near \$105, and closed more than 5% off day lows. TECD is an interesting name as Apollo (APO) offered \$130/share in cash though TECD was seen to consider other options for a higher bid and Warren Buffett was reportedly interested as well at \$140/share. The go-shop period ended in December so the Apollo deal is expected to move forward at the November increased offer price of \$145/share. The \$4B distributor of IT products and services trades just 8X Earnings and 9.2X FCF with a large cash hoard. TECD has been delivering strong results the last few quarters as a key player in the IT supply chain. Loop Capital out in October noting the IT distribution asset value of TECD and saw potential for shares to appreciate to \$180 if management did not agree to the deal. Hedge Fund ownership fell 11% in Q4 filings.

Hawk Vision:



Hawk's Perspective: TECD seems like one of the safer deal names with multiple acquirers that are well funded, so with shares trading more than 30% from the cash deal price, seems like a bargain.

Confidence Ranking: \$\$



Five-9 Bullish Call Buy into Key Support Test

Ticker/Price: FIVN (\$56.45)

Analysis:

Five-9 (FIVN) with a rare large dollar amount trade as 500 April \$50 calls were bought at \$11.80 for \$585,000, a name with very little notable open interest. FIVN was a Tech name holding up well but finally pulled in recently and back to retest a major flag breakout from 2019 and its largest volume node as well as a 61.8% Fibonacci and the rising 89 week moving average. The \$3.85B Software company provides cloud solutions for contact centers and shares trade 8.8X EV/Sales with revenues seen growing 16-18% per year in 2020 and 2021. FIVN has also been a strong margin expansion story with Adjusted EBITDA margins now at 21% and a revenue CAGR of 33% 2009 to 2019. FIVN is disrupting the customer service industry and sees cloud penetration at 15% of the contact center software market, a market estimated at \$24B. It sees an additional \$34B market opportunity in automated contact center labor spend. Analysts have an average target of \$82 on shares and short interest at 7.4% of the float has trended lower for months. On 2/4 Needham raised its target to \$82 positive on its competitive position with strong demand for incremental spending in the contact center space, accelerating cloud adoption trends, and new AI innovation can result in incremental spending. Craig Hallum raised its target to \$90 on strong execution and Canaccord also upped to a \$90 target. SunTrust moved its target up to \$95 positive on the business momentum. Hedge Fund ownership fell 5.3% in Q4 filings.

Hawk Vision:



Hawk's Perspective: FIVN is a long-time favorite best-in-class name beaten up a bit here and in an industry with ZEN/RNG that could see some M&A on these dips.

Confidence Ranking: \$\$



Alexion Bullish Trades into Lows

Ticker/Price: ALXN (\$75.55)

Analysis:

Alexion (ALXN) bullish opening trade on 3/16 with 1,500 January \$70 calls bought for \$19.50 in a stock replacement late. ALXN has recently seen some Jan. 2022 \$75 puts sold to open for more than \$600k while the May \$105/\$90 bull risk reversal remains in OI from late January. ALXN is down near 30% for the year, in line with the XBI. The \$18.27B biotech trades 6.22X earnings, 3.66X sales, and 9.5X FCF. ALXN expects to earn \$13/share in EPS by FY22 with revenues over \$6.5B driven by their wide and growing portfolio of medicines in rare diseases. They've constructed a massive portfolio of assets and expect to grow their neurological patient reach by 4X over the next five years through Soliris and Ultomiris. They've been actively looking to expand beyond just blood disorders with a number of smaller deals including Achillion in 2019. ALXN recently came under fire from activist Elliott Management that is pushing the company for a proactive sale but management believes they have a number of growth initiatives to build value. They think Ultomiris has value in other indications like ALS which is a high-risk, high-reward program. Analysts have an average target for shares of \$147.50. Jefferies positive on 3-13 seeing large cap bio as a defensive zone for 2020 given valuations. BAML downgrading to Neutral on 3-5 noting the company has had a good commercial execution for Soliris/Ultomiris with "overblown competitor concerns", but also warns that until 2021/2022, the "complement competitive landscape" will be perceived as a challenge. Short interest is 2.0%. Hedge fund ownership fell 4.5%. Baker Bros. a top holder with 8.25M shares, their fifth largest. ALXN last saw insider buying in May 2018 when a director bought \$1.2M in stock at \$120.79.

Hawk Vision:



Hawk's Perspective: ALXN has an ugly trend but is at a weekly channel bottom, one to keep an eye on if we see things stabilize.

Confidence Ranking: \$\$



Applied Materials Calls Bought into Weakness

Ticker/Price: AMAT (\$44.20)

Analysis:

Applied Materials (AMAT) with 2,000 April \$50 calls bought today up to \$2.32 to open and follows recent sellers in the April \$43 puts, January \$60 puts and January \$50 puts, the latter over 7000X. AMAT has seen buyers in the recent sell-off in the July \$55 calls and out to the January 2022 calls as well. Shares are down to the low-end of weekly cloud support and bouncing this week while also holding the high-end of the three-year value range at \$40. AMAT also remains above the long-term trend support at \$37.50/\$40. The \$43.3B company trades 8.6X earnings, 2.88X sales, and 11X cash with a 2% yield. AMAT has seen estimates rise over so far in 2020 and now targeting mid-teens EPS growth and revenues up 8%. AMAT has already given guidance regarding COVID-19 and sees the disruption as minimal while they also likely benefit ahead of many as China, South Korea, and others in Asia are resuming production already. They see the biggest headwind being a shift back in spending by one or two quarters as customers adjust. Overall, they remain positioned well in a number of powerful semi trends and momentum in DRAM, NAND, and other key markets starting in late 2019 expected to continue. Analysts have an average target for shares of \$72. Citi positive on 3-10 naming the company their Top Pick in the space given the semi spending cycle likely gets extended now as COVID-19 pushes some company plans out into the second half of 2020. They like AMAT given its more defensive display product portfolio appeal and better execution by management. DA Davidson upgrading to Buy in February given positive industry comments behind NAND memory gaining momentum and a DRAM recovery in 2020. Short interest is 1.8%. Hedge fund ownership rose 1.2% in Q4 and notable buys from ArrowStreet, Point72, and Polar Capital.

Hawk Vision:



Hawk's Perspective: AMAT valuation looks quite attractive but hard to evaluate true estimates currently and trying to own stocks below the 200 MA has been a negative return strategy.

Confidence Ranking: \$\$

Additional Options Flow

Market/ETFs

Russell (IWM) with 10,000 December \$90 puts opening \$11.80 as April \$95 adjust. **IWM** 10,000 Apr. 9th (W) \$105/\$95 put spreads opening, targets 2016 low

High Yield (HYG) with 10,000 April \$74/\$69 put spreads opening and **Emerging Bonds (EMB)** with 20,000 April \$90/\$80 put spreads opening

Silver (SLV) with 10,000 Sep. 30th (Q) \$11.50 calls being bought to open \$1.73+

MSCI EAFE (EFA) with 15,000 May \$45 puts opening as the \$53 puts adjust, also September \$50 puts with 4000 opening as the \$55 adjust

Canada (EWC) 5500 June \$20 calls open \$3.10 offer

NASDAQ (QQQ) block of 22,000 April 3rd (W) \$200 calls opened \$2.90 in a stock replacement

Consumer Discretionary/Services

Tempur Pedic (TPX) short term trade opens 600 March \$45 puts \$7.20 to \$7.40. **Tempur Sealy (TPX)** the June \$45 calls bought 1,250X from \$4.00 to \$4.40 to open here mid-day

Kohl's (KSS) with 1,000 April \$20 puts bought for \$4.50

Nordstrom (JWN) with 4500 April \$10 puts opening \$0.84 to \$0.95

Five Below (FIVE) the August \$55 puts being bought 1,000X for \$11.20 today, rolling down the \$65 puts that rolled down yesterday from higher

Marriott (MAR) opening sale 1000 April \$85 calls \$9.60 bid

Wynn (WYNN) the June \$60 calls being bought 2,000X for \$10.00 today as the \$70 calls roll back yet again

eBay (EBAY) with 8000 May \$35 calls opening \$2 in stock replacement

Expedia (EXPE) buyer 1000 June \$50 puts \$13 offer to open. **Expedia (EXPE)** buyer of 14,000 January \$60 calls for \$14.00 as the \$75 calls roll back again. **EXPE** all 33,500 of the January calls have rolled back now

L Brands (LB) with 14,000 May \$10 puts opening \$2.30 as 7000 of the \$15 puts adjust, also a block of 15,000 Aug. \$12.5 calls opens \$1.95. **LB** also 2500 January \$7.5 puts sold \$2 to open. **LB** the August \$17.50/\$32.50 call spread now opening 10,000X for \$1.20

RH (RH) another 1,200 May \$120 calls trading today for \$9.00, spot where 2,000 bought last week

Take Two (TTWO) with 1750 June \$105 short puts opening as the March \$115 adjust

Penn National (PENN) crushed with the other casino stocks lately but 550 April \$8 calls bought to open today \$2.70 to \$3.30

Darden (DRI) buyer 500 July \$45 calls \$8 to \$8.20

Stitch Fix (SFIX) buyer of 1,385 January \$10 calls for \$5.50 this morning, director Bill Gurley buying another \$3.1M in stock on 3/12 at \$12.76 and follows a \$3.1M buy on 10/15 at \$20.83

Foot Locker (FL) buyers of 1,165 April \$20 puts for \$1.80 to \$1.95

Restaurant Brands (QSR) with 5,000 October \$37.50 calls bought to open for \$3.60 to \$4.20

Tiffany (TIF) with 3,000 June \$90 calls opening for \$32.70, stock replacement. TIF has fallen with the other deal names and has a \$135/cash deal with LVMH. **TIF** also appears a lot of puts closing out today

Match Group (MTCH) the April \$60 puts opening 4,000X for \$8.50 as the March short puts roll

Abercrombie (ANF) with 1,000 April \$6 ITM calls bought today from \$4.20 to \$4.25

SeaWorld (SEAS) with 3,500 ITM April 3rd (W) \$13 puts bought \$4.54 to \$5.00, the March \$13 puts rolling

MGM (MGM) buyer 1750 September \$13 calls \$2.70 to \$2.80 in beaten down name

Tapestry (TPR) buyers 1250 January \$15 calls \$2.05 offer

Capri (CPRI) another 5000 August \$12.50 calls bought today near \$1.55

Las Vegas Sands (LVS) with 3000 May \$45 calls opening \$6.25 with the \$55 calls closing 4400X

Xerox (XRX) lows with 2750 March \$20 puts bought \$1.15 to \$1.55

Wendy's (WEN) buyer of 1,000 May \$10 calls for \$2.35 into weakness

Consumer Goods

Tyson (TSN) with another 5,000 April \$40 puts bought today as the \$70 puts roll down

Luckin (LK) with 2,000 April \$23 puts bought today up to \$1.50 tied to long stock

Campbell Soup (CPB) the April \$60 calls opening 2700X from \$1.15 to \$2.10 today

Sprout Farmer Market (SFM) up 20% on the day now and 8470 June \$22.50 calls active with buyers

Yum Brands (YUM) with 1,000 April \$50 puts bought for \$2.18 to \$2.35

Brunswick (BC) buyer of 1000 April \$35 calls for \$2.15 and also 350 June \$35 calls for \$3.50

Kroger (KR) the June \$27 puts being bought 3,000X into strength for \$1.90 to \$1.92

Energy

Valero (VLO) with 3000 January \$65 calls being bought above offer in early trade, will confirm OI tomorrow. **VLO** Jan \$65 calls up over 7000X now

Energy Transfer (ET) with 3000 January 2022 \$5 calls bought near \$2.45 to open. **ET** also with 1200 April \$6 calls bought today, name Citi speculated could go private last year

Petrobras (PBR) with 18,000 January \$8 calls opening \$0.80 to \$0.85

Sun-Run (RUN) with 3000 May \$8 puts opening \$1.60 to \$1.90

Continental (CLR) afternoon buyers of 1,000 April \$10 puts for \$2.90 to \$3.10

Financials

RedFin (RDFN) with 850 April \$13 puts bought up to \$2.45

Square (SQ) with 1300 June \$62.50 calls bought against sales of January \$100 calls. **SQ** with 1700 January \$40 synthetic long positions opening \$2.42. **SQ** also with 2,000 April \$50 calls bought today \$4.00 to \$4.10. **SQ** also seeing 1275 January 2022 \$42.50 calls bought o open near \$14 today,

JP Morgan (JPM) with 1,745 June \$85 calls sold around \$16.50 this morning in a buy-write with stock

HSBC (HSBC) stock replacement selling 14,000 September \$28 puts to open \$3.15 to \$3.05

Simon Property (SPG) the October \$50 puts opening 2,000X from \$10.10 to \$10.05 into weakness

Wells Fargo (WFC) the July \$30/\$37.50 call spread bought 1,500X3,000 for \$1.00 debit

Credit Suisse (CS) opening sale 3000 September \$6 puts \$1.25 to \$1.20

Capital One (COF) with 4000 May \$82.5 puts bought on 3/5 adjusting to September \$55 puts that open 4000X at \$12

Global Payment (GPN) with 550 May \$170 calls opening \$6

CME Group (CME) buyer of 500 April \$150 puts for \$10.50 with long stock

Schwab (SCHW) with 1000 March 27th (W) \$34 calls opening near \$2. **SCHW** 1350 April \$33 calls open \$3.80 as well here

Visa (V) with 1150 September \$160 calls opening today in stock replacements

Fair Isaac (FICO) buyers this afternoon of 700 October \$280 calls from \$36.00 to \$39.00, likely sees tailwinds from low rates and higher refinance rates

Navient (NAVI) buyers of the July \$5 puts over 1300X today for \$0.90 to \$0.95, potentially impacted by waivers around student loan interest

Healthcare

Global Blood (GBT) another 1,000 September \$60 puts sold to open down to \$20.90 today

Glaukos (GKOS) opening sellers of 540 April \$30 puts from \$4.00 to \$3.20

Allergan (AGN) the March \$155/\$140 put spread opening 2,000X for \$3.75, another deal name seeing protective buys

Brookdale Senior Living (BKD) the March \$3 puts being bought 9250X for \$1.00 as the March \$5 puts roll down again

Gilead (GILD) with 1,500 April 9th (W) \$74.50 calls bought for \$6.70 ahead of their early COVID-19 test results. **GILD** also with 4,500 April 9th (W) \$77 calls bought \$7.40 to \$7.50

Tenet (THC) buyer of 2,000 March \$15 puts for \$2.40 as the \$23 puts roll down, hospitals under pressure with the virus putting a strain on resources

Alcon (ALC) with 1500 March \$50 puts opening as \$60 puts roll down

DaVita (DVA) with 2500 July \$82.5 calls sold to open \$7.50 to \$7

Medical Properties (MPW) buyer of 1,000 April \$15 puts for \$2.40 as the \$20 puts roll down, a lot of exposure to acute care facilities which are seeing the biggest burden of COVID-19 cases

Clovis (CLVS) buyer of 5,000 April \$4 calls for \$0.90, adjusting back the \$6 calls that have rolled multiple times

Amarin (AMRN) with 22,000 April \$12 calls bought for \$2.47, spread with the \$15 and \$20 calls that look to be adjusting back from buys

Medtronic (MDT) with 1000 April \$82.5 calls opening \$4.95

Industrials

Boeing (BA) shares falling again today and 1,600 January \$140/\$75 put spreads bought for \$31.33

Union Pacific (UNP) with 3000 January \$130 calls opening with 1/2 at \$16.85 and 1/2 at \$19 in block trades

AerCap (AER) the July \$20/\$10 put spread being bought 15,550X today as the \$25/\$15 spreads roll down

Avis Budget (CAR) with 15,000 May \$10 puts bought for \$2.93 as the \$15 puts start to roll down

General Motors (GM) with 7,000 June \$16 puts opening for \$1.95 as the \$25 puts roll down

Dorman (DORM) seeing 350 April \$75 puts open deep ITM near \$22

Honeywell (HON) with 1,000 ITM June \$145 puts sold to open this afternoon down to \$23.00, shares pulling right back to the December 2018 lows

United Rental (URI) with 3900 June \$130 puts opening as the \$135 adjust

United (UAL) the September \$45/\$65 call spread bought 2500X for \$4.32

Materials

Newmont (NEM) IV diving with 4000 March \$42 puts sold to open \$1.95 to \$1.90

Arconic (ARNC) with 48,000 April \$26 short puts opening as March short puts adjust

WestRock (WRK) with 500 October \$22.50 calls bought today for \$5.00 to \$6.20, their pulp is used for a lot of tissue and personal hygiene products

Tech and Telecom

Marvell (MRVL) buyer of 1000 April 3rd (W) \$18.50 calls for \$1.30

Adobe Systems (ADBE) the April \$290 puts opening 2,455X today for \$29.40, rolling the March \$300 puts that were sold to open

Autodesk (ADSK) with 7700 April \$145 puts sold to open \$14.40 as March \$150 short puts adjust

Slack (WORK) with 6500 March \$19 calls bought up to \$0.80 here

Microchip Tech (MCHP) with 1880 October \$40 puts bought \$4.40 to open

VeriSign (VRSN) with 1500 April \$175 calls sold to buy the \$150/\$115 put spreads

Intel (INTC) with 1430 October \$40 puts bought \$5.15 to \$5.20. **INTC** 3000 April 3rd (W) \$49 puts opening \$3.75

Snap (SNAP) with 2000 January 2022 \$10 calls bought \$2.45. **Snap (SNAP)** with 2,000 July \$9 calls bought \$1.79 to \$1.83 as the \$12 calls roll back

Palo Alto (PANW) with 2,500 April \$145 calls sold for \$8.30 in a buy-write

Sea (SE) opening sale 1500 May \$31 puts for \$1.60

GDS Holdings (GDS) shares moving strong to the upside mid-morning and 1,000 June \$55 calls being bought \$4.80 as the March \$50 calls roll

Ebix (EBIX) sellers of 1,400 September \$20 calls from \$1.95 to \$1.60

Workday (WDAY) with 1000 January \$65 puts opening \$3.90

Uber (UBER) buyer of 25,000 January 2022 \$40/\$50 call spreads for \$1.19 to open

NVIDIA (NVDA) with 1000 April \$225 calls bought \$17.70 to \$18.50. **NVDA** the September \$270/\$310 call spread bought 500X1,000 this afternoon with shares back at the rising 200-MA

Netflix (NFLX) with 2000 April \$415 calls sold to open today from \$1.89 to \$1.66

Fire-Eye (FEYE) with April \$8 calls opening 1850X at \$1.90 as March \$12 adjust

Cloudflare (NET) opening seller 1400 December \$25 calls \$2.25

Intuit (INTU) 1400 April \$280 calls sold to open down to \$3.50, similar to **NOW** action

Microsoft (MSFT) with 10,000 January \$165 calls bought \$14.20 to \$14.25

Utility

Companhia (SBS) buyer of 1,200 July \$10 calls for \$1.40 to \$1.55, the \$7.14B Brazilian water utility now yielding 3.5%

Disclaimer:

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